



U.S. Department of Justice

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BEDFORD MAN PLEADS GUILTY TO INSIDER TRADING SCHEME WITH SON

CONCORD, NEW HAMPSHIRE: U.S. Attorney Tom Colantuono announced that George R. Potter pleaded guilty today to a Criminal Information charging him with conspiracy to commit insider trading. Potter acknowledged that in October 2000, his son, Timothy Potter, disclosed to him confidential information concerning adverse developments relating to (R)-fluoxetine, a pharmaceutical drug then being jointly developed by Eli Lilly & Co., Inc., and Sepracor, Inc. Potter admitted he then used the information to trade in Sepracor securities and later transferred the resulting profit to his son. At the time of the trade, Potter's son was employed by Sepracor, a Marlborough, Massachusetts, based pharmaceutical development company. Potter, age 65, resides at County Road, Bedford, New Hampshire.

At today's plea hearing, Potter admitted that his son told him about the adverse developments concerning (R)-fluoxetine on October 18, 2000. Potter further admitted that minutes later, on the basis of that information, he purchased "put options" for Sepracor stock. A put option gives its purchaser the right to sell the underlying stock at predetermined price by a certain date, and the purchase of a put option is essentially a bet that the price of the underlying securities will decline. When Sepracor and Eli Lilly publicly announced the adverse (R)-fluoxetine developments the following morning, Sepracor's stock price plummeted while the value of Sepracor's put options soared. Hours after the announcements, Potter sold the Sepracor put options, generating an overnight profit of more than \$55,000. Potter admitted that he later transferred that profit to Timothy Potter. Potter also admitted to attempting to mislead the U.S. Securities and Exchange Commission in an investigation the SEC was conducting into his trades.

If convicted, Potter faces up to five years in jail and a fine of up to \$250,000. Potter is scheduled for sentencing on July 22, 2003. Timothy Potter was charged in an Indictment handed down on January 30, 2003, and his case is pending.

United States Attorney Colantuono stated: "Insider trading is directly contrary to the notion of fairness in our stock markets. Whether it be Wall Street or Main Street, the federal government will enforce the insider trading laws forcefully to ensure a level playing field for all investors."

This matter was investigated by the Bedford office of the Federal Bureau of Investigation and was referred to the FBI by the SEC, which has brought separate civil insider trading charges against both Potters. Assistant U.S. Attorney Bill Morse is prosecuting the criminal case.